Frequently Asked Questions for CAC Policy Update (January 22, 2020)

Why is the City proposing updates to its CAC policy?

The City's current CAC Policy was first adopted by Council in 1999, and then formalized into financing growth policy in 2003. This update is designed to build upon the City's long established CAC Policy by further aligning with the 2014 Provincial Guidelines on CACs, enhancing transparency, and making other improvements to the way CACs are implemented. This includes clarifying eligible and ineligible uses of CACs and allowing for a more portable approach to allocating CACs on a city-wide basis.

The updated CAC framework will help address one of the key city-wide goals of the upcoming Vancouver Plan by advancing overall equity for Vancouver residents. The change will provide for a more portable, equitable CAC system that will allow for consideration of CAC spending to all parts of the city provided that public benefits delivered are city-wide serving and that benefit all Vancouver residents. With the move towards a more portable, equitable system, CAC spending towards existing area plans / public benefit strategies will continue to be a priority for the City. It is anticipated that this new allocation framework will help support the broad city-wide needs assessment that will take place as part of the public investment strategy in the Vancouver Plan.

What are the CAC Policy changes being proposed?

The updated CAC policy includes 5 key updates:

1. **Focus on specific public benefits:** The City's existing policy allocates CACs broadly across a variety of growth-related public benefits. To ensure the City's objectives and public benefit strategy commitments are prioritized, the updated policy will now direct CACs towards the following specific public benefits:

    - Affordable housing;
    - Childcare;
    - Transportation;
    - Community facilities;
    - Public safety;
    - Parks and open spaces;
    - Arts and culture; and,
    - Heritage conservation.

    Potential exceptions to the above public benefits may arise over time and these would be subject to Council approval.

2. **Broaden the public benefit:** To continue City efforts to align its CAC policy with Provincial CAC Guidelines and where appropriate make the policy consistent with other municipal approaches, CAC allocation will continue to be prioritized in the neighborhood in which the rezoning takes place, but will also incorporate a more portable, equitable approach by investing in City-serving public benefits that extend beyond area plan boundaries.

3. **Possibility to defer significant payments:** The City's current CAC policy requires cash CACs to be paid in full prior to rezoning enactment. As the value of cash CACs for individual projects has increased in recent years due in part to significant increase in public benefit costs, applicants have found that higher value cash CACs have been challenging to pay or finance in full when the rezoning is enacted. To address this, and to provide enhanced flexibility, the proposed update to the policy would allow for the consideration of applicants defering a portion of cash CACs valued over $20 million with set financial securities in place to guarantee payment to the City at a later date.

4. **Refunds and alterations:** Consistent with current practice, the proposed new policy will clarify that the City will not refund previously approved cash CACs or alter in-kind CACs following a public hearing. In-kind CACs may only be altered through the resubmission of a new rezoning application.

5. **Non-City Ownership**: Current practice is for the City to own all in-kind CAC amenities. Proposed policy considers ownership of in-kind CACs by non-profit, indigenous, and government subject to specific legal conditions.

What are CACs?

As Vancouver grows, so does the need for new public benefits such as parks, libraries, childcare facilities and affordable housing. Some of the funding to create and support these facilities comes from contributions applied to these new developments.

Within the City's financial framework, the City funds capital projects through:

- City contributions (e.g. property taxes, utility fees);
- Partnership contributions (e.g. senior government funding, non-profits); and
- Development contributions, which include:
    - Development Cost Levies (DCLs): Per square foot levy charged on all new developments to fund affordable housing, childcare, parks, transportation, and utilities.
    - Density Bonus Zoning: Increased floor space under existing zoning in exchange for providing public benefits and affordable housing.
    - Community Amenity Contributions (CACs): In-kind or cash contributions for public benefits when the City approves a rezoning.

Development contributions help the City build and expand facilities such as: affordable housing, park space, libraries, childcare centres, community centres, transportation services, cultural facilities and neighbourhood houses. Development contributions ensure that as additional density is added, the costs of additional public benefits are shared between the developers and the City, instead of the growth costs being borne solely by the City.

Community Amenity Contributions are in-kind or cash contributions provided by property developers as part of the rezoning process, which grants an increase in development potential or a change in the permitted uses of a site. CACs are one of the tools used by the City to fund public benefits and help address the costs of growth-related public benefits (i.e. amenities and infrastructure, including affordable housing, childcare, community facilities, parks, etc.).

How important are CACs?

Over the past 10 years, the City has secured the following new public benefits as in-kind CACs (valued over $1 billion):

- 1,900 social housing units
- 500 childcare spaces
- 11 community facilities including neighbourhood houses, family places, and community centres
- 8 cultural facilities including artist studios and performance and rehearsal spaces
- 6 parks/open spaces/public realm improvements
- Other public benefits such as heritage conservation and public art

These kinds of CAC projects greatly reduce pressure on taxpayers. Without these valuable contributions from development, significant increases in taxes would be required to fund these public benefits.

What's the difference between a Cash and In-kind CAC?

Cash CACs are payments from a rezoning applicant in-lieu of providing land and/or capital facilities as a public benefit. Cash CACs are deposited into interest-bearing reserves dedicated for spending on public benefits subject to Council approval. Cash CACs are allocated through the City's capital planning and annual budget processes, both of which require Council approval.

In-kind CACs are land and/or capital facilities that are provided by applicants through the rezoning process, typically as on-site public benefits. Generally the City seeks in-kind CACs wherever possible as a first priority.

Do CACs reduce housing affordability in Vancouver?

No. Housing prices are set by market demand.

Development charges and contributions, including CACs, are generally considered part of the costs of development which means developers incorporate these costs into their projects and the price they are willing to pay for land.

An independent report conducted by Coriolis Consulting in 2019 found that there is no evidence CACs are causing housing prices to rise or are reducing affordability in Vancouver. The report also found that CACs did not restrict housing supply; in fact over the past 5 years the City's overall housing supply has increased at a faster rate than the construction of new housing units. https://vancouver.ca/files/cov/CAC-coriolis-consulting-final-report-april-2019.pdf

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Why are CACs only allocated towards growth costs? Why can't they be used for operating costs?

The BC Provincial Guidelines on CACs are clear that CACs are for growth-related capital facilities. The Guidelines suggest that lifecycle and operating costs should be taken into account when planning for CACs. New development can be expected to contribute to building new public benefits, however the new residents and businesses that move into the development are expected to contribute to the operating costs of these public benefits through property taxes and user fees. Therefore operating costs should be recovered through these types of funding sources. The City has not allocated CACs towards operating costs since 2014 when the Provincial Guidelines came into effect. The City has grant programs that can be purposed for funding operating costs.